EXHIBIT 11



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Adoption & Impact Digital Video Recorders: September 2004 Rachel Mueller-Lust



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RESEARCH

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ABC-00002252

Key Findings



DVR: Adoption and Impact

- Background, Purpose & Method
- Implications & Conclusions

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Assessing DVR Impacts The problem with existing research

- TiVo-centric
- Individual behavior Early Adopters

The Why to the What



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•Cable & TiVo

Assessing DVR Impact

Ethnographic Approach







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ABC/ESPN Study Purpose

- Monitor non-early adopter households as technology they become accustomed to DVR
- Examine behaviors within the context of the household over a six month period
- **Understand DVRs impact on TV viewing** practices
- Observe the realities of DVR in relation to attitudes their pre-DVR TV viewing practices and

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ABC/ESPN Study Design

- August 2004 under supervision of Horowitz Associates The study was conducted for from February –
- TiVo subscribers in NY/NJ area to receive cable DVR or Households were recruited from current cable
- An ethnographic methodology was used

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Ethnography Methodology

- Anthropological
- 8 Multicultural Ethnographers:
- Ph.D. in Sociology or Anthropology
- Participant-observation employed to understand dimensions of participant's behavior
- Reveal tacit cultural knowledge not obtained in surveys
- Most natural and unmediated view of TV/Viewer relationship
- Nearly 1000 hours of observation
- In-home visits were recorded by ethnographers in field notes, voice recordings and videotape

TiVo

Total





Sample Size

Cable DVR

117

Recruited Completed

50

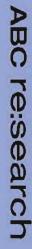
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Acceptance and Rejection

- No significant age or technology bias
- Main driver is importance of TV
- Installation difficulties limited acceptance
- Bad experience with installer
- Device conflict with furnishings; hi-end equipment
- TiVo phone line; self-installation
- Ultimately, cost is a barrier
- For average consumer, TV costs are already high



Consumption

- Over half of households do not believe they watch
- The DVR has not increased the time that remains in the day

Improved "viewing efficiency" – more programs in less

- About a third of households feel they watch more hours of TV
- Watching many new shows consistently
- TV became more interesting so they set aside more time to
- Greatest impact is not more TV viewing, but getting more out of TV viewing time and enjoying TV more

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BUVR Usage: Six Distinct Approaches

Almost Real-Time /

Short-Time Delay

start it late, only to catch up to slive" by fast-forwarding through Purposely record a program to

Describes a minority of Piewers, some fitting the "early adopter" profile

⇒ Motivation is not always to skip ads

Different Time Shifting Same Day

view them the same day initially air and make certain to Record programs as they

due to conflicts around when program is aired by VCR, these viewers are not Typically those who recorded

winners/losers are revealed, installment, or addicts want to view before the next >"Need" to see it before

Soaps, Talk, Reality

Weekend Warrior

to catch up on a weekly series > Use their weekends as a time

cooler" buzz profile shows with less "water-Viewers attracted to semi-high

know less pressure to be "in the viewing because they are under Not concerned with same day

next installment > Intent on viewing before the

Primetime Dramas



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DVR Usage: Six Distinct Approaches

Marathoning

ed 02/12/13 Gather and save large guantities of favorites and watch them in blocks, on weekends or thee days

- Generally entails fast-convarding through breaks, and yen entire segments
- 据ke but lack the time to watch Segularly "Second string" favorites they
- Daytime Talk, Syndicated, Cooking

Stockpiling

ever view for long periods of time, if > Record favorites but do not

- for themselves or other family members "Back-pocket" entertainment
- they want whatever, whenever, as often as Insurance that they "can watch

Movies, Children's, Syndicated

The Traveler's Approach

- specific favorites to view upon returning from travel Program to save piles of
- "catching up" Distinct approaches to
- episodes of a series Chip away at stored
- caught up programs until they have Watch only recorded

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When do viewers prefer live TV? Many prefer live to recorded in certain cases

CHANNEL SURFERS

"I flip, I get frustrated. So now, rather than channel up or down, I put in the channel number...TiVo makes flipping too difficult - it is too slow."

LIVE IS THE "PURE" WAY OF WATCHING

get back, I'll decide whether or not to rewind...I'm not gonna pause it...You can always catch up. It's like cheating time, almost." "Even with the DVR it's my instinct to let the show run if the phone rings. When I

NEWS JUNKIES AND SPORTS FANS

that it would be nearly impossible to avoid finding out who won the game." "Sports are supposed to be watched live. I watch so many shows about sports...



Viewing Commercial Avoidance &

- Several reasons for skipping commercials
- Time management, relevance or lack thereof "Now I only watch the commercials that I want to watch."
- A genuine dislike for ad content and frequency
- Some become more aware of ads
- "Fast-Forwarders" are more attentive than before, particularly first/last pod position

the billboards, but you see them." forwarding...It's like driving. When you drive you don't stop to read "I don't think that the commercials are getting harmed by fast



Viewing Commercial Avoidance &

do not skip ads A third of participants say they

forwarding. I just let it play." "Sometimes it's too much work to fast forward. You have to pay close attention to when the commercials end to stop fast



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Network/Program Loyalty & Awareness

- The DVR strengthens program loyalty and <u>network awareness</u>
- Viewers become more program oriented: "With the DVR, I never miss an episode of Law & Order...even
- Network loyalty grows with program loyalty
- As viewers become more engaged in shows, their reliance on favorite networks is strengthened
- Controlled sampling improves no time constraints





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Household Dynamics

- Resolving Conflict
- Families are watching TV together more often and are spending more time together in the room with the DVR than they had in the past
- Viewers can record and return to a program at any time, so families are more willing to give up the remote and negotiate programs for group viewing
- **Creating Conflict**
- TiVo's inability to record more than one program while simultaneously viewing another program
- not like them to watch at odd hours Youth are finding inappropriate programs their parents would



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Future Speculation plications for TV Industry: at is Known and



Near-Term Implications

- Some viewers will not embrace DVRs
- Many homes gave back the DVR even though it was free due to technical or other issues
- Cost is a significant issue
- Conflict with HDTV
- A single DVR may be enough for most homes, therefore not all the TVs in a home will have a DVR
- All DVR usage is not alike: TiVo and cable DVRs differ and so does the viewer experience
- Program search functionality,
- Recording 2 shows at once



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Near-Term Implications

- Commercial skipping is NOT the primary impetus for
- Time management is the driving force
- 30% say they <u>never</u> avoid commercials
- Over half the viewers say they avoid commercials when time-
- skipping Programs that are viewed *live* have lower commercial
- Little observed <u>buffering</u> (near live time-shifting) occurring

and relevant commercials that they find appealing Viewers will pay attention to



status among TV viewing homes: but will eventually approach appliance DVR penetration will be hampered initially,

- Passionate TV watchers are passionate about
- Technology and cost efficiency will improve
- DVR / HDTV conflict will fade
- Gen Y will demand this device



DVR environment: branding will be even more powerful in a Good, relevant programming and

- Loyalty and controlled sampling likely to increase
- Strong TV brands can get stronger
- Audiences are qualified, more clearly defined
- TV becomes more relevant and random access
- Like Magazines?

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DVR users: The :30 spot is not dead - even among

- Commercial avoidance, not the main impetus
- TV viewing behavior/enjoyment still quite passive
- "Live" TV still considered the norm
- Attentiveness improves with program loyalty
- Fast-Forwarders more aware than before
- Net Effective commercial exposure may increase
- Many people actually LIKE commercials!





avoidance, competition will be the issue: For programmers, more than commercial

- Least objectionable becomes most appealing
- Choice becomes almost endless
- Audiences will become even more fragmented

and relevant content. Programmers and advertisers alike must offer compelling

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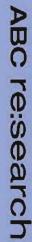
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